

# Roadmap for Improving Starting a Business in Karachi

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## Introduction

### Starting a business: why it matters?

A growing body of empirical research has explored the links between business entry regulation and social and economic outcomes. Higher formal entrepreneurship is proportional to job creation and economic growth. Conversely, cumbersome regulation of startup is associated with higher levels of corruption and informality. Data collected from company registries in 100 economies over eight years, shows that a simple business startup process is critical for fostering formal entrepreneurship. Lengthy administrative procedures for starting a business is associated with a fewer legally registered firms, greater informality (a finding particularly relevant for many developing economies), a smaller tax base and higher corruption.

### Why does formal business registration matter?



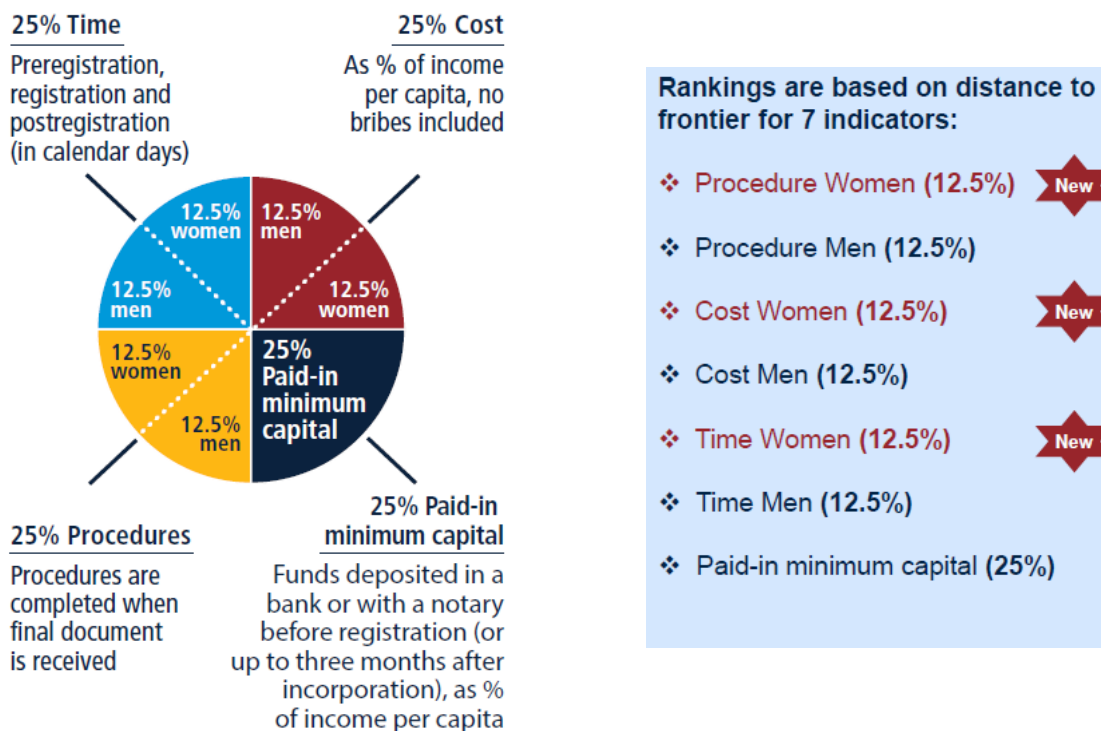
A recent study found that barriers to starting a business are significantly and negatively correlated with business density, calculated as the total number of businesses registered as a percentage of economically active population (ages 15–64) that year. For example, the fewer the procedures required to start a business, the greater the number of registered firms. There is also a significant relationship between the cost of starting a business (as a percentage of gross national income, or GNI) and business density. For every 10 percentage point decrease in entry costs, density increases by about one percentage point. After a reform simplifying business registration in different municipalities at different points in time across Mexico, a study found that the number of registered businesses increased by 5% and employment by 2.8%.

### Methodology Overview

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business (limited

liability company), as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure 1). These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their “distance to frontier” scores for starting a business. These scores are the simple average of the “distance to frontier” scores for each of the component indicators. The “distance to frontier” score shows the distance of an economy to the “frontier,” which is derived from the most efficient practice or highest score achieved on each indicator.

### What does starting a business measure?



For detail see online: <http://www.doingbusiness.org/methodology/starting-a-business>

Key features of the good international practices in business registrations include: i) similar requirements for men and women; ii) putting procedures on-line; iii) creation and improvement of one-stop shops; iv) standardized forms; v) fixed registration fee and facility to pay electronically.

## 1. Current situation in Pakistan – Starting a Business

Over the past years only one reform in the area of business startup was recorded by Doing Business in 2009, when Pakistan made starting a business easier by introducing an electronic registration system, allowing online registration for sales tax and eliminating the requirement to make the declaration of compliance on a stamped paper.

Doing Business 2017 reported that in Karachi entrepreneurs – men and women - must go through an average of 12 procedures to start a business (compared with South Asia’s average of 8.1), which would take 18 days (compared with 15.4 days SA average for men and 15.6 days for women) and cost 12.4 percent of Pakistan’s income per capita, lower than 13.4 percent South Asia’s average, but higher than OECD’s averages. There is no minimum capital requirement. Pakistan, as represented by the average performance of its largest cities Karachi and Lahore, ranks 141th among 189 countries on the Ease of Starting a Business.

### Starting a Business in Karachi

The formalization of businesses in Karachi is equally important for the entrepreneurs and the economy for a variety of reasons. These include: i) facilitating firms to be more active and flexible in mobilizing and allocating resources in the drive to improve productivity and profitability; ii) job creation with workers having access to benefits provided under the law; and iii) revenue generation for supporting growth and development objectives.

Starting a Business in Karachi			
Indicator	Karachi	South Asia	OECD high income
Procedure – Men (number) The total number of procedures required for married men to register a firm. A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries). <a href="#">View methodology</a>	12.0	8.1	4.8
Time – Men (days) The total number of days required for married men to register a firm. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. <a href="#">View methodology</a>	18.0	15.4	8.3
Cost – Men (% of income per capita) Cost is recorded as a percentage of the economy’s income per capita. It includes all official fees and fees for legal or professional services if such services are required by law for married men. <a href="#">View methodology</a>	12.4	13.4	3.1
Procedure – Women (number) The total number of procedures required for married women to register a firm. A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or	12.0	8.2	4.8

notaries). <a href="#">View methodology</a>			
Time – Women (days) Time – Women (days) The total number of days required for married women to register a firm. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. <a href="#">View methodology</a>	18.0	15.6	8.3
Cost – Women (% of income per capita) Cost – Women (% of income per capita) Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law for married women. <a href="#">View methodology</a>	12.4	13.4	3.1
Paid-in min. capital (% of income per capita) Paid-in min. capital (% of income per capita) The amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita. <a href="#">View methodology</a>	0.0	0.2	9.2

In order to start a business in Karachi, in addition to Sindh-specific procedures, it is necessary to complete several Federal level procedures.

### Procedures for Starting a Business in Karachi

	Procedure	Time	Cost
1	Reserve a company name online via the Securities and Exchange Commission of Pakistan (SECP) E-services website	1 day	No charge
2	Pay the name reservation and company incorporation fees at the MCB Bank	1 day	Included in procedure 1 (name reservation fee) and procedure 3 (registration fee)
3	Obtain a digital signature from the National Institutional Facilitation Technologies (NIFT) system of SECP	1 day	PKR 837 (certificate charges) + PKR 163 (sales tax at 19.5%) + PKR 500 (validation charges) for each shareholder
4	Complete online registration on the Securities & Exchange Commission of Pakistan (SECP) e-portal	2 days	PKR 8,500 registration fee + PKR +1,600 filing fees of Form 1, Form 21, Form 29, and Copy of the memorandum and articles

			of association
5	Open a bank account for tax registration	1 day	No charge
6	Apply for a national tax number (NTN) and register for income tax	2 days	No charge
7	Apply for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Karachi	1 day	No charge
8	Register for Professional Tax with the Excise & Taxation Department of the District	7 days (simultaneous)	No charge
9	Register with the Sindh Employees Social Security Institution (SESSI)	7 days (simultaneous)	No charge
10	Register with Employees Old-Age Benefits Institution (EOBI)	1 week (simultaneous)	No charge
11	Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District	7 days (simultaneous)	PKR 1,000
12	Register the appointed CEO with the SECP	Half a day (online procedure)	PKR 400 for the cost of form 29

## 2. Reform Plan for Karachi Business Registration

The reform plan aims to enhance ease of doing business ranking in Pakistan, particularly in Karachi and to bring business/investment into the formal sector.

### Vision

Establish a Sindh Electronic One Stop Shop (SEOSS) for business registration, licenses and e-licensing for other provincial agencies, similar to what has been implemented in Punjab. Once the provincial level is established, expand connectivity with the Securities & Exchange Commission of Pakistan (SECP) e-portal.

### Principle

Entrepreneurs enters data ONCE ONLY for all provincial regulatory agencies.

### Solution

This section proposes a three-phase approach to achieving the objective of an effective and efficient online business registration solution for Sindh.

Phase-1: Simplify and automate all provincial business registrations in to SEOSS (Year One)

Phase-2: Integrate all business licenses into SEOSS (Year Two)

Phase-3: Integrate SEOSS into federal Virtual One-Stop Shop (to be decided after consultation with the Federal Government authorities).

The Phases-1 and 2 will be rolled-out as part of KNIP. This gradual approach will help the provincial authorities to effectively roll-out the entire solution.

Phase-1: Simplify and automate all provincial business registrations in to SEOSS

The online portal for business registration will provide one-window to connect to:

- a. Industries Department for registration of firms
- b. Excise, Taxation & Narcotics Department for professional tax registration
- c. Labour and Human Resource Department for registration of shops and establishments
- d. Sindh Employee Social Security Institution for initial registration and maintenance of online record of HR for business establishment required for monthly payments

Online availability of application forms for registration of the business concerns, procedure list, and fee schedule. The applicant to be informed of incomplete documentation, if any, immediately (not later than one working day). Once the deficiencies pointed out are cleared, the above procedures will take 1 working day for the complete registration/approval process (simultaneous process). With a successful execution, applicants will be able to: i) complete all necessary registrations through SEOSS; and access the online guidelines for the completion of the application. In order to enable these goals to be reached, the various agencies currently responsible for required registrations will:

- amend the existing business registration process;
- make the registration process less time consuming;
- faster processing
- automate the manual processes
- allow electronic payments of fee
- approve applications on-line
- combine automated systems to reduce the number of steps required by applicants

Where discretionary decision making is unavoidable, improve the capacity of the officials concerned to make well considered, consistent decisions in a timely manner.

The SEOSS should be able to integrate with the VOSS project. A future combination of both solutions will allow the entrepreneur to have access to VOSS requirements online as a parallel step.

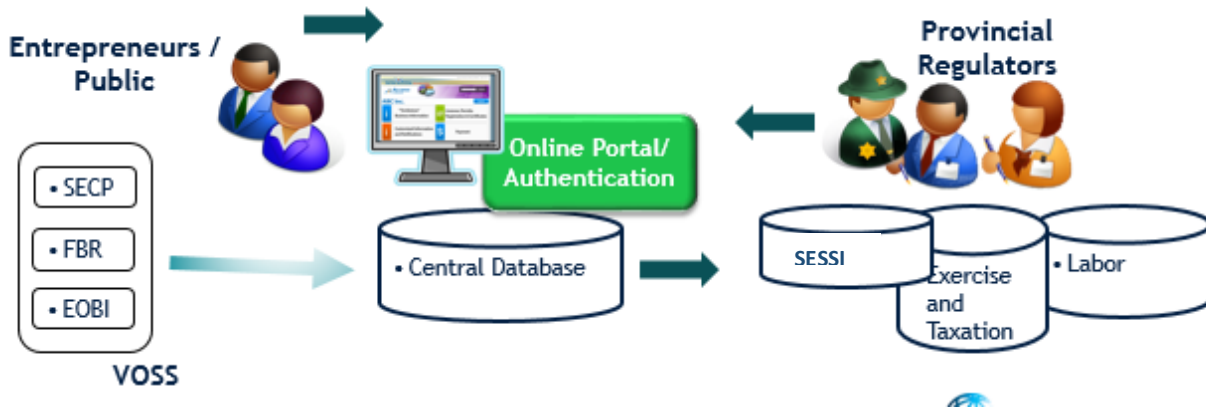


Figure 1- Business Registration – Solution Diagram

- a. The initiative will help authorities to ensure: Online repository of data of all the businesses registered in Punjab
- b. Online single registration form
- c. Sharing of data according to registration rules of the department
- d. Better supervision and monitoring of departments
- e. Increment in revenue generation of the concerned departments
- f. Improvement in tax collection
- g. Improved public response
- h. Verification through NADRA (verisys)
- i. Analytical dashboard to be made for higher officials to check various parameters of business registration

Successful execution of this project will mean that prospective investors will encounter a cheaper, faster, more transparent and more predictable business registration process which will be accessible to them through the internet. In addition to providing major benefits to the investor community, successful implementation of the project will also:

- a. Help increase tax administration through online sharing of data with FBR
- b. Provide easily accessible data for use by government and other parties for policy development and other purposes
- c. Ensure long term protection of and easy access to records.



## 2.3 Action Plan

Actions	Estimated Timeline (weeks)	Deliverable	Estimated Cost (USD)
Legal and Stakeholder Engagement			
a. Form a high level Technical Task Force with representatives from of SESSI, Excise and Taxation and Labor Department to prepare a strategy and a project plan for SAB. b. Involve the end users of the future platform in the project design (in particular, LLCs and sole proprietors).	6	Stakeholder engagement . Workshops . Focus groups Strategy for SAB Initial Phase Sustainable Enhancements	6,000
a. Establish a Project Management Office responsible for appropriate coordination and sequencing of activities. The following set of activities will need to be undertaken: b. Establish project management office to coordinate project. c. Bring in external consulting support for project management. d. Require professional project management tools and techniques. e. Agree on a schedule for periodic independent technical audits. f. Agree on a communications campaign to manage public relations and inter-agency politics.	8	Project management office setup Agreement on project controls	15,000
Produce regulatory and procedural changes road map of business start-up to enable the solution	2	Legal review	10,000
Conduct a comprehensive review of operational licensing regime, document all major existing licenses	8	Legal and procedural review	42,000
Reengineering of Business Processes			
Produce AS-IS process maps, including post-registration requirements.	6	Current process	21,000
Conduct hardware, software and skills assessment at each agency	4	Gap analysis	10,000

Define TO-BE processes, i.e., comprehensive automation of all manual processes into electronic workflow.	4	TO-BE processes	21,000
Improvement of Business Processes and Procurement of Solutions			
Define the operating model.	4	Definition of operational responsibility ----- Organizational design and resourcing ----- Implementation of operating model	15,000
Prepare RFP for integrated solution with further development of integration points (VOSS and other complementary licensing agencies).	8	RFP Vendor hired	15,000
Procure integrated solution a. Engage main stakeholders. b. Process verification. c. Develop solutions: Design a new registration system for the SAB based on the existing legal and functional requirements, drawing from the Punjab registration portal and business licensing application model. The design should consolidate into one online portal that includes clear step-by-step instructions for entrepreneurs on meeting all registration requirements, and connecting with tax authority and other agencies. The design and implementation should be prepared in consultation with Business Registry experts. d. Test (including acceptance). e. Train SEOSS staff to participate in the customization of the new online business registry: Build internal capacity or have proper service-level agreements with service providers to support the system. f. Exchange, convert, or migrate data from existing systems to promote integration; analyze the feasibility of migrating paper records of legacy registrars (sole proprietorship in regional offices).	34	Solution created	160,000

g. Install the required applications in an identified Data Center and introduce clear procedures for system monitoring and maintenance.			
h. Enhance security in the business registry: Implement the use of a virtual private network (VPN) for secure management, enhanced redundancy in the data center (such as dual sources of power and network), backups, physical security, and operations.			
i. Plan for m-payment for e-services on a pilot basis.			
Equip Stakeholder Agencies (office equipment and network connectivity) SESSI, Exercise and Taxation, Labor and other related regulatory agencies		Office Equipment SESSI – 20 Tax – 10 Labor – 20 Connectivity Equipment	50,000
Establish a hosting environment. *			160,000
Launch Automation			
Rollout plan. Communication plan. Monitoring and evaluation plan.	4	Solution implemented	50,000
Provide training and support during the post-implementation phase.	24–32		100,000
	120		
Total Cost Estimate			675,000.00

## 2.4 Institutional arrangement for sustainability

To ensure SEOSS project is successfully implemented two items are critical:

- a) Close coordination among all the line ministries and agencies involved in the process.
- b) Project sustainability arrangements.

In order to address the coordination piece it is recommended to establish a Technical Working Group to set the strategic vision for reform, convene all relevant private and public sector stakeholders, maintain reform momentum, and provide the political weight for reform

implementation. Technical working group then lead implementation at the agency level. The Working Group will designate a point person in every agency and key private sector stakeholders to take responsibility.

In order to address project sustainability arrangements it is critical to sign Service Level Agreements (SLA), that will define the roles and responsibilities of every stakeholder and the Vendor. In addition, in order to have a firm SLA there should be MOUs signed with each agency. The Government should also make budgetary, staffing and training arrangements to make the project sustainable going forward.

### **3. Procurement Guidelines**

Hardware Procurement – applicable as per KNIP.

Service Procurement - ICT service provider vendor to provide the following services:

- a. Project Management
- b. Open Source (PHP) programmers
- c. Database
- d. BPM Analysis
- e. Network engineers
- f. Security Specialists
- g. Graphic designers
- h. QA/ Test/ Usability

Communications specialist at the end of the project

Management Structure and Manpower Requirements

#### **3.2 Model TOR/ SOW for procurement**

The model TOR should contain:

- a. BACKGROUND -Description of the objectives of the procurement
- b. SCOPE OF WORK
- c. PERFORMANCE - Tasks and Deliverables
- d. DELIVERABLES AND Expected timeline
- e. METRICS - Payment schedule against deliverables upon acceptance criteria
- f. Institutional Arrangements for Sustainability (Support, Maintenance, Service Level Agreements)

For Services RFP the Statement of Work must contain:

- a. Knowledge Transfer,

- b. Training for Stakeholders,
- c. Equipment Warranties for 3 years
- d. Technical Support and Maintenance for 3 years,
- e. Customer Service (Help Desk) setup (using case management too) and Training for Customer Service.
- f. Service Level Agreements (and related MOUs)

**REQUEST FOR PROPOSALS (RFP) FOR**

[Subject]

**RFP NO.** [Abstract]

STATEMENT OF WORK (SOW) or TERMS OF REFERENCE (TOR)

<p><b>A. BACKGROUND</b> (Provides a high level introduction to the project to familiarize potential bidders with the mission and organizational overview)</p>
<p><b>B. SCOPE OF WORK</b> (Describe the type of service that will be required)</p>
<p><b>C. PERFORMANCE</b> (Address the services to be provided, the technical requirements, contractor responsibilities, statistics on current operations, etc.)</p>
<p><b>D. DELIVERABLES</b> (Indicate what outputs the contractor will be expected to provide)</p>
<p><b>E. METRICS</b> (State how the performance will be measured)</p>

## Qualification / Eligibility criteria of staff

Title of Post	Project Director
<b>Criteria:</b>	<b>Age: 45 Years Maximum.</b>
	<b>Qualification:</b> Must have at least 16 years of formal education, preferably having a Masters degree in MBA-IT, Project Management, Engineering Management or in an ICT area will be preferred from a HEC recognized university or foreign university. A certificate/diploma in Project Management shall be an added advantage.
	<b>Eligibility Criteria:</b> Upto 10 years of experience in business planning expertise to support marketing strategy, investment goals and a pioneering vision with buy-in from internal and external stakeholders. A diverse background with large and small companies; and funded venture start-up experience is preferred.
	Strong industry leadership skills and global C-level networking with a proven track record of team building and technology strategy integrated with excellent communications skills.

Title of Post	Project Coordinator
<b>Criteria:</b>	<b>Age: 40 Years Maximum</b>
	<b>Qualification:</b> Minimum 16 Years of Education with BSc Computer Science (4 years) / BCS (4 years) or MCS (2 years) / MSc Computer Science/MBA-IT/ MSc Project Management/Engineering Management or related from a reputed recognized local or foreign Institution.
	<b>Eligibility Criteria:</b> Upto 2 years of relevant professional experience of managing IT solution on Solaris/ Windows / Linux./. Managing client side issues and coordinating with development team and staff. A certificate/diploma in Project Management shall be an added advantage

Title of Post	Program Officer
<b>Criteria:</b>	<b>Age:40 Years Maximum</b>
	<b>Qualification:</b> Minimum 16 Years of Education with BSc Computer Science (4 years) / BCS (4 years) or MCS (2 years) / MSc Computer Science. Project Management or related degree from a HEC recognized local or foreign Institution or related from a reputed recognized local or foreign Institution.
	<b>Eligibility Criteria:</b> Up to 2 years of relevant professional experience of managing IT solution on MS/ SQL on Solaris/ Windows/linux. A certificate/diploma in Project Management shall be an added advantage

Title of Post	Assistant Program Officer
<b>Criteria:</b>	<b>Age: 35 Years Maximum</b>

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	<p><b>Qualification:</b> : Minimum 16 Years of Education with BSc Computer Science (4 years) / BCS (4 years) or MCS (2 years) / M.Sc Computer Science or related from a reputed recognized local or foreign Institution.</p> <p><b>Eligibility Criteria:</b> Up to 1 year of relevant professional experience of managing IT solution on MS/ SQL on Solaris/ Windows/linux.</p>
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<b>Title of Post</b>	<b>Management Assistant</b>
<b>Criteria:</b>	<b>Age: 35 Years Maximum</b>
	<b>Qualification:</b> Minimum 16 Years of Education with Management/Social Sciences/HRM/Finance or related from a reputed recognized local or foreign Institution.
	<b>Eligibility Criteria:</b> Up to 2 years of relevant professional experience of office management work.

<b>Title of Post</b>	<b>Office Boy</b>
<b>Criteria:</b>	<b>Age: 30 Years Maximum</b>
	<b>Qualification:</b> Minimum Matriculation, Intermediate will be preferred.
	<b>Eligibility Criteria:</b> Should be well versed with office/kitchen work, experience of 1 year will be of added advantage in relevant field.

<b>Title of Post</b>	<b>Driver</b>
<b>Criteria:</b>	<b>Age: 40 Years Maximum</b>
	<b>Qualification:</b> Minimum Matriculation, Intermediate will be preferred.
	<b>Eligibility Criteria:</b> Should have a valid LTV license. Experience of minimum 05 years is required. Must be able to drive different vehicles. Must be able to work under pressure and for long duty hours. Must have 6x6 eyesight.



## Organogram

